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Strikes by Government Employees in Spain Add
to Labor Unrest

The current labor unrest has spread to the middle class as employees in at least five government ministries staged unprecedented work stoppages for several hours this week. This was followed by a petition to Prime Minister Arias, signed by several hundred government employees, including some second-echelon officials.

The government employees appear to have been influenced by the general labor unrest in recent months, as well as by stirrings on the Spanish political scene. Both Franco and Arias in their recent state-of-the-nation speeches spoke of opening the government to wider participation. The recent discussions about forming political associations, which became legal last month, undoubtedly have encouraged government workers to express their frustrations. Both the strikers and the petitioners cited problems of pay, professional status, and working conditions. The petition also called for the government to carry out long-promised reforms of public administration and to institute political neutrality.

The government--no doubt perturbed by the unprecedented work stoppages by civil servants--is rumored to be planning to announce substantial pay increases for government employees. It will probably couple this with administrative punishment of a few of the ringleaders.

Additional unrest among the middle class is evident in the strike by small shopkeepers in Madrid as well as a strike by Madrid's actors and actresses over professional issues which has closed Madrid's theaters. The key issue here, as in some industrial conflicts, is the lack of worker representation in the regime's labor organization. This middle class discontent may force the government to make a decision on whether to grant the right to strike.

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Meanwhile, industrial strike activity has quickened again, with some 7,500 workers on strike in Bilbao, around 9,000 miners idle in nearby Asturias, and shipyard workers on strike in El Ferrol.

The atmosphere has been further charged by student demonstrations in Madrid, Valladolid, Seville, and Oviedo. The students are demanding more freedom, educational reform, amnesty for political prisoners, and expressing support for striking industrial workers. The government has taken a hard line toward both the student and industrial demonstrators.

In the past week, some 36 members of an extremist Catholic labor organization were arrested during a gathering at a Madrid church, stiff fines were levied on a dozen priests in Pamplona for their alleged participation in recent labor agitation, and a sit-in by employees of Madrid's largest hospital was forcibly ended by the police.

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[Redacted]

Bonn Coalition Faces Political Fallout Over
Its Tax Reform Program

The Schmidt government's tax reform program, which became effective last month, has turned out to be something of a political boomerang because many middle and lower-income voters are finding their paychecks smaller than before due to increased withholding.

Although the taxpayers will eventually reap the net gain promised by the reforms, the lack of administrative foresight has tarnished the reputation of Chancellor Schmidt and Finance Minister Apel. For months the government publicized the tax reform as a major instrument for stimulating the economy and as an example of "costless" social reform. The reduction in take-home pay for many taxpayers, along with a loss in consumer confidence, will slow Bonn's fight against recession and will most likely hurt the two coalition parties in the five state elections scheduled this spring.

New administrative procedures have caused the problem. The government failed to inform the citizenry that, unless they made the proper adjustments, increases in withholding taxes would more than offset the gains from the reform program.

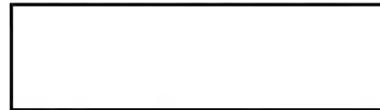
Many taxpayers were expected to benefit from the provision authorizing increased allowances for children but this has become bogged down in procedural problems. Instead of being a direct tax credit as before, the allowances are being distributed in cash by the Labor Office. About one quarter of those eligible for allowances, however, face delays in benefitting from this provision because they failed to apply by the original December cut-off date. [Redacted]

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Prospects for Progress in Euro-Arab Dialogue

Arab League Secretary General Riad has expressed increasing interest in getting the dialogue with the EC moving, at least at the level of an exchange of technical information and project proposals

The Euro-Arab dialogue and the question of Palestinian Liberation Organization participation in it will be discussed at a meeting of the Nine next week.

Riad is still firm in his demands for PLO participation. It is the impression of a German official, however, that the Arabs believe that haggling over this issue has unduly delayed the start of talks.

An EC internal working group has been charged with preparing project proposals by late February for later presentation to the Arabs. Recognizing the sensitivity of the coming US negotiations in the Middle East, the community has taken pains not to publicize these preparatory arrangements.

The working group report may provide the basis for implementing the recent French proposal which calls for a meeting between experts representing the EC and Arab League presidencies. The EC would not exclude Palestinian "experts" from those representing the Arab League.

The Nine still view the Euro-Arab dialogue as a purely technical forum and have no desire to become embroiled in political issues. They nevertheless acknowledge that a decision to allow PLO participation at any level could have a political effect.

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Third Session of the Preparatory Committee
for the NPT Conference Tackles Thorny
Issues

The third and last session of the preparatory committee for the May conference to review the Non Proliferation Treaty is currently meeting in Geneva. This meeting must still settle a number of thorny issues regarding the agenda, organization and financing of the full conference and the committee may be hard pressed to complete its work during the two-week session.

The NPT Review Conference--called for in the treaty itself--will provide the first opportunity since the treaty's entry into force five years ago for all NPT adherents to review the treaty's accomplishments and reaffirm their commitment to the treaty's goals. The parties to the treaty hope that international attention aroused by the review exercise will induce additional countries to accede to the treaty.

Although the review conference is not a UN-sponsored meeting, the UN Secretariat is providing administrative services for the conference and, in line with this responsibility, has drawn up draft rules of procedure for the May meeting. These rules have generated debate, particularly over the manner in which decisions are reached at the conference. The split is over whether to require consensus on any conference decisions or to resort to voting if attempts at consensus fail. Some countries are willing to accept a voting requirement for stalemated procedural decisions, but they argue that substantive matters must be decided by consensus since all the parties must support the conference's proposals if these are to have any effect. It is feared that a negative vote could subsequently be used to justify non-compliance.

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The preparatory meetings have already established the basic outline of the conference's organization. Two main committees will probably divide the review work--one group discussing the political aspects of the NPT and the other concentrating on the technical issues arising from the implementation of some of the treaty's articles.

Membership in all the committees and access to their deliberations is another sticky problem for the preparatory meeting. The treaty itself limits participation in the review conference to treaty parties--those who have both signed and ratified the NPT as well as a required safeguards agreement between the state and the International Atomic Energy Agency (IAEA). More than half of the states that have signed the NPT, however, fall into the category of signatories. These are states that, for one reason or another, have not completed the entire ratification process.

Among the signatories alone are a number of important states whose ratification is considered vital for the treaty's future. These countries are primarily the EURATOM states--minus France, which remains aloof from the NPT--and Japan. The EURATOM states negotiated a single safeguards agreement with the IAEA which gives EURATOM the responsibility for monitoring and safeguarding nuclear materials within its boundaries. Because of this umbrella safeguards agreement, no individual EURATOM country can become a full NPT party until all EURATOM members have completed the necessary ratification procedures and approved both the treaty and safeguards agreement.

For reasons that are not entirely clear but may have something to do with the concerns of a few officials in the foreign ministry over national prestige, Italy is continuing to stall its parliamentary approval of the two agreements. Because Italy has not ratified them, this has prevented its EURATOM allies from becoming NPT

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parties as well. As the review conference approaches, however, and as Italy continues to drag its feet, Germany and the Benelux countries in particular have begun to agitate strongly for some kind of status at the review conference. For the past several weeks, representatives of these countries have been pressing the UK and the US--as two of the treaty's three signatory powers (the USSR is the third)--to allow their participation at the conference.

These countries realize that demands for complete participation at the May meeting, with the same status as full NPT parties, are likely to gain little support. A major obstacle would undoubtedly be the USSR, all of whose Eastern European allies have ratified both agreements and have IAEA safeguards in place on their facilities.

What seems likely to result from the deliberations at the preparatory committee over conference participation rights is the right of NPT signatories to attend as observers. This might grant them the right to speak in the two main committees (possibly only upon written request to the committee's chairman) and to table papers for the committee's consideration. They would not be permitted to vote, however, or to participate in the actual decision making.

Financing the three preparatory meetings and the review conference itself poses another problem. A proposal to finance the four meetings--at an estimated cost of \$336,000--from the regular UN budget was defeated by the UN General Assembly in 1973. Since then, the preparatory committees have attempted to work out a formula for apportioning the costs among the conference's participants--with little success thus far. Proposals range from one presented by some nonaligned states that would require the UK, US and USSR to assume 90 percent of the costs to suggestions for

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pro-rating financial assessments on the regular UN budget contributions. While no decision has yet been taken on the financing issue, it seems likely that the three signatory powers will be required to assume the lion's share of the expenses.

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Ottawa Warned About Reactor Sales Abroad

The announcement that Canada has signed a contract to sell a nuclear reactor to South Korea before completion of an agreement between the two parties on "safeguard" procedures has generated strong warnings in parliament and the press.

An opposition New Democratic MP has attacked reactor sales to countries such as South Korea, Argentina and India, claiming that the only true safeguard arrangement is "no sale". The opposition speaker added that he had information that Canada's reactor salesmen are also "marching to Pretoria." A leading Ottawa newspaper also commented on the South Korean deal by warning that after having "fathered the sixth nation of the nuclear club, India...the last thing Canada needs is to be charged with a paternity suit for the seventh."

The government replied to the parliamentary criticism by noting that contract ratification negotiations between Ottawa and Seoul, which will include safeguard arrangements, will be completed within two or three weeks.

As far as the proposed reactor sale to Argentina is concerned, the government spokesman noted that Argentina has concluded a safeguards agreement with the IAEA and has formally assured Ottawa that the Canadian reactor and associated material will be used only for peaceful purposes. He added that negotiations are nearing completion on a special bilateral safeguard procedure.

The government did not reply to the charge that Ottawa is examining a possible reactor sale to South Africa. There have been no previous indications that the Trudeau government is considering such a move.

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Italian Government to Face Confidence Vote

The debate now underway in the Italian parliament on reform of the state radio-TV network has turned into a major test for the Moro government. Moro has decided to make the vote on this issue a vote of confidence for his government.

The proposed law is controversial because it amounts to a dilution of the Christian Democrats' traditional control of the state network. A court ruling last year struck down the laws that gave the Christian Democrats a monopoly on state communications. In the ensuing negotiations on new legislation, the Christian Democratic leadership was forced to share control of the network management with several of the other parties, including the Communists and Socialists.

Christian Democratic right-wingers are dissatisfied with the new arrangement, however, and Moro has had difficulty holding a majority together in the face of obstructionist tactics by the Neo-fascists, who gained nothing as a result of the new law. He has had to withdraw one version of the law out of fear that disgruntled Christian Democrats would defect to the opposition in any vote on the issue.

By turning the balloting on the radic-TV question into a confidence vote, Moro is trying to enforce discipline within the coalition. Although Moro could still lose, elements of his majority are less likely to defect in a confidence vote since it is taken by a public show of hands. If it was not designated a confidence vote, the balloting would be secret.

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Talks on Formation of Government Collapse
in Denmark

Social Democratic leader Anker Jorgensen took over the task of forming a new government in Denmark after week-long efforts by President of Parliament Karl Skytte broke down yesterday.

Skytte was named by the Queen to head the negotiations on January 29 after Prime Minister Hartling's Moderate Liberal government resigned over some controversial budget proposals. Seven of the ten Danish political parties took part in the talks that were intended to produce a majority government. The other three, all leftist parties, dropped out because of Skytte's pre-condition that a new government support Danish membership in the EC and NATO.

The most logical combination, a Social Democrat-Moderate Liberal majority coalition, failed to materialize because of personal animosity between the two party leaders and differences over an economic program. In addition, the Social Democrats were instrumental in the fall of the Hartling government. The refusal of most of the negotiating parties to participate in a coalition with maverick Progressive Party leader Mogens Glistrup also contributed to the collapse of the talks.

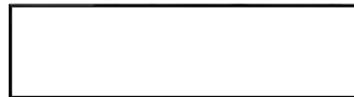
Differences among the parties over a solution to the country's economic problems, which were merely underlined during the latest round of talks, do not augur well for a coalition government. Jorgensen may have to settle for a one-party minority government. If so, he will need the cooperation of the non-socialist parties, and may have to water down his legislative program, particularly his economic plan, in order to survive. [Redacted]

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Arab Moves to Expel Israel From the ILO

The confederation of Arab trade unions has decided to mount a campaign to expel Israel from the International Labor Organization. The Arab trade unionists will reportedly introduce a resolution proposing Israel's expulsion at the June conference of the ILO, arguing that Israel continues to violate the rights of Arab citizens and workers in "Palestine and the occupied territories."

The ILO constitution does not include a provision for expelling members and the contemplated Arab move could succeed only by flouting ILO constitutional procedures. In any case, introduction of such a resolution will dismay those who are increasingly concerned about the growing politicization of UN agencies. Western labor delegates to the ILO, especially, may threaten to boycott the organization if it becomes a forum for attacks on Israel.



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ANNEXEC Cements Ties with 46 Developing Countries

The EC completed negotiations last week on a comprehensive five-year cooperation agreement with 46 African, Caribbean and Pacific countries. It will likely be signed in Lomé, Togo, on February 28.

The agreement has been hailed by community officials as a model for the West's future relations with the third world, and leaders on both sides say it will mark a turning point in relations between rich and poor nations. Although such claims may be somewhat exaggerated, a provision which guarantees the developing countries "stable" earnings from key commodity exports may in fact prove to be especially significant in the growing debate over third-world economic demands.

The agreement, to be known as the Lomé Convention, provides for free entry to the EC of all industrial products and 96 percent of the agricultural exports of the 46 developing countries. Such preferences, together with financial aid, were also the main ingredients of the community's earlier association arrangements in Africa. But the export stabilization scheme as well as a protocol on industrial cooperation have added new dimensions to the EC's approach to relations with the developing countries.

In replacing the earlier and more limited trade and aid accords, the Lomé Convention also extends the EC's links to an additional 18 commonwealth countries and 6 independent African states. The community has for some

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years had agreements with 19 African states under the Yaounde Convention and with Kenya, Uganda, and Tanzania under the Arusha accords.

The 46, led by Senegal and Nigeria, have demonstrated remarkable solidarity throughout these negotiations, given the complexity of the economic issues and the political diversity among them--in particular between the Francophone and Anglophone Africans. This accounts, in great part, for the "generosity" of the community in the new arrangements. The EC, nevertheless, hopes to gain in return a considerable measure of goodwill in the third world--a valuable asset in a world concerned with access to raw materials and potential new export markets.

Export Stabilization

The export stabilization scheme responds to the developing countries' long-standing demand for stabilization of earnings from their exports of raw materials and is the first such agreement between developed and developing states. The arrangement provides that the EC will make direct loans to those signatories whose earnings from exports to the EC of 12 agricultural commodities and from iron ore fall below a minimum reference level.

Although falling short of what the developing states want in the context of their demands for a "new world economic order," the stabilization scheme may still have an impact on such discussions between developed and developing states at the UNCTAD conference on commodities next week in Geneva. The Nine will at least be able to claim they are taking account of developing country interests.

For their part, the 46 also value the protocol on industrial development as evidence of their new "partnership" with the Nine. For the first

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time, the EC is embarking on a concerted program of industrial development and diversification that will focus on research and technology adapted to the needs of the participating developing countries.

Trade Concessions

In their demands for major concessions in trade and aid, the 46 were motivated, in part, by fears that as the EC expanded its Mediterranean policy and its scheme of generalized trade preferences for other developing countries, their special benefits would decrease.

The EC will relax its rules specifying how much processing a developing country export must undergo before it qualifies for duty-free entry into the community. Developing countries complained that existing rules harm their budding export-oriented industries and make regional arrangements among the poorer states difficult. The EC has approached these negotiations carefully due to fears that more liberal rules could provide a back door for entry into the EC of cheap manufactures from developed countries such as Japan.

On agricultural issues the EC was more firm, refusing to grant free and unlimited access to EC markets for agricultural products that would seriously compete with community growers. Although 96 percent of the agricultural products of the 46 can enter free of duty, the community decided only to grant preferences comparable to what other developing countries receive on the remaining 4 percent, thus preserving the sanctity of the EC's common agricultural policy.

The most difficult negotiations centered on the price the EC would pay for imported sugar and the community took full advantage of its bargaining power and favorable market

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trends. Caribbean sugar producers, hoping to take advantage of still high world sugar prices, initially demanded four times the current EC price as well as guarantees on future sugar imports.

Responding to pressure from UK refiners of cane sugar, the community agreed only to guarantee the import of 1.4 million tons of sugar yearly at a price not lower than the EC support price for its sugar. In separate negotiations, however, the UK agreed to pay a higher price for its sugar, but this was only about half that demanded by the sugar producers.

Reverse preferences--preferential access for EC exports to the developing country markets--was a highly political issue in the negotiations. The US has always opposed such preferences because they contribute to dividing up markets in the developing world.

In the face of French opposition, the 46 succeeded in eliminating all reciprocal obligations from the new agreement. It is now up to the developing countries to grant reverse preferences if they wish, but only Senegal, the Ivory Coast, and possibly one or two other states will do so.

Aid and Institutional Arrangements

Over the next five years the EC has agreed to provide approximately \$4.1 billion in development assistance through the European Development Fund. This replaces the Third European Development Fund, which since 1969 has made almost \$1 billion available to the signatories of the Yaoundé Convention. Until last week the 46 had persisted in their demands for a \$8 billion fund while the Nine, led by Germany and Italy, had resisted any offers of more than \$3 billion in development

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assistance.

Both sides regard the convention as an important step toward "equality" of relations between developing and developed states. The 46 have, in fact, rejected the earlier association label as implying less than full autonomy for the developing countries.

Reflecting this sensitivity, the participants to the agreement will meet regularly at the ministerial and the ambassadorial level. In addition, they will establish a consultative assembly composed of members of the European Parliament and representatives appointed by the developing states.

These institutions may provide a regular channel of communication between the community and the less developed states at a time when other channels between the developed and developing worlds have become increasingly jammed by hostility.

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